
NEW NORTH

Resources Ltd.

1994 Annual Report

Corporate Information

Directors

J. Dawn Browne,
Calgary, Alberta (1)

Robert S. Clegg,
Calgary, Alberta (1)

Thomas Jack Hall,
Calgary, Alberta

Bonnie C. Hall-Staples
Calgary, Alberta (1)

(1) Audit Committee

Officers and Senior Personnel

Thomas Jack Hall
President

Bonnie C. Hall-Staples
Secretary-Treasurer

J. Dawn Browne
Land Consultant

Head Office

Suite 1250 Sun Life Plaza III
112 - 4th Avenue S.W.
Calgary, Alberta
T2P 0H3

Telephone: (403) 237-5545

Auditors

KPMG Peat Marwick Thorne
Chartered Accountants
1200 Bow Valley Square Two
205 - 5th Avenue S.W.
Calgary, Alberta
T2P 4B9

Registrar and Transfer Agent

Montreal Trust
411 - 8th Avenue S.W.
Calgary, Alberta
T2P 1E7

Solicitors

Howard, Mackie
1000 Canterra Tower
400 - 3rd Avenue S.W.
Calgary, Alberta
T2P 4H2

Banker

Bank of Montreal
350 - 7th Avenue S.W.
Calgary, Alberta
T2P 3N9

Stock Exchange Listings

The Alberta Stock Exchange
Trading Symbol Common Shares: NNT

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders of New North Resources Ltd. will be held in the Meeting Room of Sun Life Plaza West Tower on the 3rd floor, 144 - 4th Avenue S.W., Calgary, Alberta on Tuesday, the 20th day of June, 1995 at 3:00 p.m. (local time.)

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To the Shareholders:

We are pleased to present to our shareholders the first Annual Report of New North Resources Ltd. New North was incorporated on May 9, 1994 and listed as a junior capital pool company on the Alberta Stock Exchange on October 4, 1994. A public issue of 2.7 million common shares at \$0.10 per share was completed on September 12, 1994. At the date of this Annual Report, the Company's total issued and outstanding capital stock consists of 4.2 million common shares.

During the fourth quarter of 1994, New North participated in the drilling of an exploratory well in the Barons area of southern Alberta, earning an undivided 20% interest before payout and 12% interest after payout in the 160 acre spacing unit and 12% interest in 960 acres, being the balance of the earned lands. The well has been completed as a Barons sand oil well and is currently producing light crude oil at less than expected rates. A subsequent stimulation will be required in order for production rates in this well to reach the level of an offsetting producing oil well.

With the deterioration of natural gas prices, New North's activities in 1995 will focus on low risk oil development prospects. The Company has in place an ongoing program to identify such prospects and currently is reviewing the technical and environmental aspects of an oil development prospect located in central Alberta. New North is of the view, however, that natural gas prices must improve over the next year or two and as this happens, the Company's activities will also focus on low risk natural gas prospects.

The Company is looking forward to an exciting and busy 1995. The Board of Directors and management of New North believe that exceptional opportunities exist in the oil and gas industry and are committed to conducting the business and affairs of New North in a manner that will provide shareholders with the greatest return on their investment.

We encourage all shareholders to attend the upcoming annual general meeting of shareholders.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "J. Hall", with a large, stylized flourish at the end.

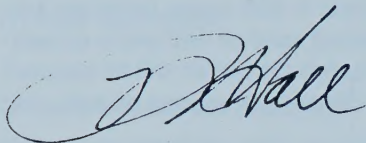
Thomas J. (Jack) Hall
President and Chairman of the Board
May 5, 1995

Management Report

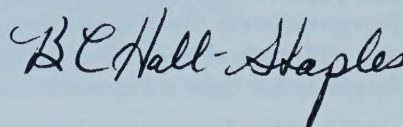
Management is responsible for the preparation of the financial statements and for the consistency therewith of all other financial and operating data presented in this annual report.

The Company maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely information.

External auditors, appointed by the shareholders, have examined the financial statements. The Audit Committee, consisting of a majority of non-management directors, has reviewed these statements with management and the auditors and has reported to the Board of Directors. The Board has approved the financial statements.



Thomas Jack Hall
President and
Chief Executive Officer



Bonnie C. Hall-Staples
Secretary-Treasurer and
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the balance sheet of New North Resources Ltd. as at December 31, 1994 and the statements of loss and deficit and changes in financial position for the period from incorporation on May 9, 1994 to December 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and the results of its operations and the changes in its financial position for the period from incorporation on May 9, 1994 to December 31, 1994 in accordance with generally accepted accounting principles.



Chartered Accountants

Calgary, Canada
March 15, 1995

NEW NORTH RESOURCES LTD.

Balance Sheet

December 31, 1994

Assets

Current assets:

Cash and interest bearing deposits	\$	200,676
Accounts receivable		9,320
		209,996

Capital assets:

Petroleum and natural gas properties, at cost	\$	112,526	
Less accumulated depletion and depreciation		(100,526)	12,000
			\$ 221,996

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable	\$	27,008
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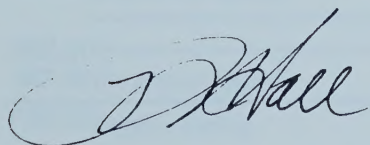
Shareholders' equity:

Common shares (note 3)	293,996
Deficit	(99,008)
	194,988

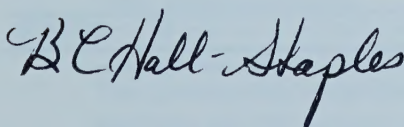
\$ 221,996

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

NEW NORTH RESOURCES LTD.

Statement of Loss and Deficit

Period from incorporation on May 9, 1994 to December 31, 1994

Revenue:		
Interest	\$	3,873
Expenses:		
Administrative		(2,355)
Write-down of petroleum and natural gas properties		(100,526)
		(102,881)
Loss for the period, being deficit at end of period	\$	(99,008)
Loss per common share	\$	(0.02)

See accompanying notes to financial statements.

NEW NORTH RESOURCES LTD.

Statement of Changes in Financial Position

Period from incorporation on May 9, 1994 to December 31, 1994

Cash provided by (used in):		
Operations:		
Loss for the period	\$	(99,008)
Write-down of petroleum and natural gas properties		100,526
Changes in non-cash working capital balances		(2,471)
		(953)
Financing:		
Issue of common shares		293,996
Investment:		
Additions to capital assets		(112,526)
Changes in non-cash working capital balances		20,159
		(92,367)
Increase in cash, being cash at end of period	\$	200,676

See accompanying notes to financial statements.

NEW NORTH RESOURCES LTD.

Notes to Financial Statements

Period from incorporation on May 9, 1994 to December 31, 1994

1. Organization and commencement of operations:

New North Resources Ltd. (the "Company") was incorporated on May 9, 1994 and commenced operations in September 1994. To date, the Company's activities consist of developing an oil and gas property at Barons, Alberta.

2. Significant accounting policies:

(a) Petroleum and natural gas operations:

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and depreciated on the unit of production method based on estimated gross proven reserves.

Costs of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

The total capitalization costs, less accumulated depletion and depreciation, future site restoration and deferred taxes, are limited to an amount equal to the estimated future net revenue from proved reserves, plus the cost (net of impairments) of unproved properties, less estimated future site restoration costs, future administrative expenses, financing costs and taxes.

The exploration and development activities are conducted jointly with others. The accounts reflect only the Company's proportional interest in such activities.

(b) Future site restoration costs:

Estimated future site restoration costs would be provided for using the unit-of-production method based on estimated gross proven reserves. Costs are estimated by the Company based on current regulations, costs, technology and industry standards.

3. Share capital:

The Company is authorized to issue an unlimited number of common shares without nominal or par value. During the period from incorporation on May 9, 1994 to December 31, 1994 the Company has issued shares as follows:

	Number	Amount
On incorporation	1,500,000	\$ 75,000
Public offering	2,700,000	270,000
Less: share issue costs	-	(51,004)
	4,200,000	\$ 293,996

The Company has established a stock option plan for its directors and officers and has granted options to purchase 420,000 common shares at a price of \$.10 per share until June 17, 1999.

The Company granted an agent a non-transferable common share purchase option to purchase 270,000 common shares at a price of \$.10 per share. The option expires in March 1996.

4. Income taxes:

At December 31, 1994 the Company has share issue costs of approximately \$51,000 and resource tax pools of approximately \$112,000 available to apply against future years' taxable income.

